BUDGET UPDATE

[FEBRUARY 5, 2019]
Agenda

• 2019 Bond Ratings
• Budget Challenges and Cost Drivers
• Recent investments
• FY 2019 1st Quarter Update
2019 Bond Ratings
2019 Bond Ratings

• Jan. 2019 - Both raters have affirmed the City’s “AA” rating with a stable outlook

  • S & P Global
    • Very strong management, with strong financial policies
    • Strong budgetary performance and flexibility

  • Fitch
    • Expects solid revenue performance going forward due to ongoing population and income expansion, bolstered by positive local economic development
    • Expects that continued growth in the resource base will keep the liability burden in the moderate range
    • Views the city’s budget management as satisfactory, marked by a trend of stable financial performance
Budget Challenges And Cost Drivers
Budget Challenges

• Reoccurring (annual) funding sources for maintenance and capital
  • Street maintenance projects (Street Maintenance Fee)
  • Public safety vehicles and equipment
  • Parks amenities (shades, lighting, etc)
  • Facilities
  • IT infrastructure

• Median landscaping/maintenance (2013 landscaping ordinance) – TXDOT agreements
Budget Challenges

• Potential state legislative changes (property tax revenue cap, red light cameras, etc)
• Future funding for implementing recommendations from masterplans or corridor studies
• Pension
• Reserves
• Retiree Healthcare (OPEB unfunded liability)
Budget Cost Drivers

- Employee Costs – salaries, healthcare, pension, etc.
- Public safety collective bargaining
- Police staffing (new Officers and Crisis Intervention Team)
- Quality of Life projects
- Debt Service
General Fund Budget

FY 2016: $369 million
FY 2017: $382 million
FY 2018: $398 million
FY 2019: $429 million

$60 million Increase
General Fund Budget Increases
(FY 2016 to FY 2019)

$60 million Increase

Police
$20.5
34%

Fire
$17.1
29%

Streets & Maintenance
$11.2
19%

Parks
$7.2
12%

Others
$3.9
6%
Budget Cost Drivers
FY 2019 General Fund Budget - $428,597,800

- Personal Services: $316,017,690 (74%)
- Police: $126,193,721 (29%)
- Fire: $100,825,966 (24%)
- Other: $88,998,003 (21%)

Other: $112,580,110 (26%)
<table>
<thead>
<tr>
<th></th>
<th>FY 2016</th>
<th>FY 2017</th>
<th>FY 2018</th>
<th>FY 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Police Uniform Staffing</td>
<td>1,019</td>
<td>1,045</td>
<td>1,067</td>
<td>1,125</td>
</tr>
</tbody>
</table>

**Net Increase of 106**

- FY 2019 is a year-end estimate
Budget Cost Drivers
Quality of Life Bond Projects

• Operations and maintenance costs are being included in budgets (state of the art facilities). For ex.
  • Staffing
  • Materials and supplies
  • Utilities

• Examples include: Eastside sports complex, Westside Natatorium, Asian Gateway and Endangered Species Carousel at the Zoo
Budget Cost Drivers

Debt Service

• Long term investments in streets, infrastructure, public safety, and quality of life

• Projects have been accelerated from original schedules

• Remaining amount to be issued from 2012 Quality of Life, 2012 Streets CIP, and 2017 – 2019 Capital Plans
Recent Investments
Public Safety Investments

• Collective Bargain Agreements – contractual obligations
• Police Officer staffing increase
• Prisoner custody transport service
• Crisis Intervention Team
• 911 Communicators
• Fire trucks and ambulances
• Police cars
Public Safety Investments

- Creation of Metro Unit and Animal Cruelty Task Force
- Additional Fire fleet maintenance positions
- Fire station restroom improvements
- Replacement of Fire Station #12
- Implemented Mobile Fleet Service for preventive maintenance
- Added surveillance cameras in high visibility areas including Union Plaza and Star on the Mountain
Streets Investments

- $7 million annually dedicated for 50 residential street maintenance projects
- Accelerated scheduled completion for resurfacing and reconstruction projects
- Increased pothole patching and street striping material budget
- ADA on-demand request funding
- Median landscaping (2013 landscaping ordinance)
- New signalized traffic intersections
Animal Services Investments

• Creation of stand-alone department in 2016
  • $2.9 million additional investment over last three years
  • Staffing
  • Capital investment
  • Operating and maintenance costs
• Live-release rate has improved from 24% to 84%!
Quality of Life Investments

• Operating and maintenance costs for bond projects
• Playground replacements
• Turf renovation team
• Winterfest
• Spray parks, plus additional amenities
• Wi-Fi expansion at quality of life facilities
Employee Investments

• Compensation
  • Increases included last four years (lump sum and % increases)
  • Increased minimum wage to $10.37 (for all full-time, part-time and seasonal positions)

• Healthcare/Wellness program

• Incentives

• Recognitions

• Professional development – tuition assistance, LSS, cross-functional teams
Workforce Focus Investments

• Investing in critical functions to limit risk and liability:
  • Grants division
  • Contract Compliance
  • Internal Audit
  • Risk management
  • Purchasing
  • Capital Improvement Department
1st Quarter
General Fund
Financial Report
FY 2019 General Fund Summary

Starting Fund Balance (9/1/18) $46,379,368

Plus Estimated Revenues $429,388,511

Less Estimated Expenses $429,123,687

Estimated Ending Fund Balance (8/31/19) $46,644,191

Estimated Surplus $264,823
# FY 2019 General Fund Revenue

<table>
<thead>
<tr>
<th>REVENUE</th>
<th>FY 2019 Budget</th>
<th>FY 2019 Actual YTD</th>
<th>FY 2019 Actual YTD %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Property Taxes</td>
<td>193,554,893</td>
<td>7,136,339</td>
<td>3.7%</td>
</tr>
<tr>
<td>Sales Taxes</td>
<td>93,763,721</td>
<td>23,243,182</td>
<td>24.8%</td>
</tr>
<tr>
<td>Franchise Taxes</td>
<td>52,661,354</td>
<td>15,297,952</td>
<td>29.0%</td>
</tr>
<tr>
<td>Charges for Services</td>
<td>32,517,730</td>
<td>4,432,761</td>
<td>13.6%</td>
</tr>
<tr>
<td>Fines and Forfeitures</td>
<td>7,541,245</td>
<td>2,276,279</td>
<td>30.2%</td>
</tr>
<tr>
<td>Licenses and Permits</td>
<td>13,148,935</td>
<td>3,175,018</td>
<td>24.1%</td>
</tr>
<tr>
<td>Intergovernmental</td>
<td>446,988</td>
<td>0</td>
<td>0.0%</td>
</tr>
<tr>
<td>County Participation</td>
<td>537,341</td>
<td>0</td>
<td>0.0%</td>
</tr>
<tr>
<td>Interest</td>
<td>200,000</td>
<td>0</td>
<td>0.0%</td>
</tr>
<tr>
<td>Rents and Other</td>
<td>2,241,265</td>
<td>331,884</td>
<td>14.8%</td>
</tr>
<tr>
<td>Other Sources (Uses)</td>
<td>31,984,328</td>
<td>4,121,555</td>
<td>12.9%</td>
</tr>
<tr>
<td><strong>Total Revenue</strong></td>
<td><strong>428,597,800</strong></td>
<td><strong>60,014,970</strong></td>
<td><strong>14.0%</strong></td>
</tr>
</tbody>
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FY 2019 General Fund Revenue

• Sales taxes exceeding budget expectations
• Franchise fees meeting budget expectations
• Fines and forfeitures exceeding budget expectations
• Licenses and permits slightly below budget expectations
## FY 2019 General Fund Expenses

<table>
<thead>
<tr>
<th>EXPENDITURES</th>
<th>FY 2019 Budget</th>
<th>FY 2019 Actual YTD</th>
<th>FY 2019 Actual YTD %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Economic Development</td>
<td>1,963,563</td>
<td>317,067</td>
<td>16.1%</td>
</tr>
<tr>
<td>Public Safety</td>
<td>257,815,741</td>
<td>57,978,184</td>
<td>22.5%</td>
</tr>
<tr>
<td>Visual Image</td>
<td>7,857,127</td>
<td>1,881,694</td>
<td>23.9%</td>
</tr>
<tr>
<td>Quality of Life</td>
<td>45,396,094</td>
<td>9,863,163</td>
<td>21.7%</td>
</tr>
<tr>
<td>Communication</td>
<td>12,106,792</td>
<td>4,280,163</td>
<td>35.4%</td>
</tr>
<tr>
<td>Sound Governance</td>
<td>46,428,835</td>
<td>12,666,729</td>
<td>27.3%</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>49,802,126</td>
<td>10,003,568</td>
<td>20.1%</td>
</tr>
<tr>
<td>Sustainability</td>
<td>7,227,521</td>
<td>1,498,825</td>
<td>20.7%</td>
</tr>
<tr>
<td><strong>TOTAL EXPENDITURES</strong></td>
<td><strong>428,597,800</strong></td>
<td><strong>98,489,394</strong></td>
<td><strong>23.0%</strong></td>
</tr>
</tbody>
</table>
FY 2019 General Fund Expenses

• Overall expenses are meeting budget expectations

• In particular, the Budget Office will closely monitor the following areas in order to maintain budget discipline:
  • Utilities – water and electricity
  • Fuel and vehicle maintenance
  • Overtime
  • Legal expenses related to current litigation
  • May special election (unplanned cost)
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Questions